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CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

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## INFORMATION REPORT

CD NO.

COUNTRY China/Hong Kong/Macao

DATE DISTR. 20 June 1951

SUBJECT Gasoline Sales to Communist China

NO. OF PAGES 3

25X1C  
PLACE  
ACQUIRED  
DATE OF  
INFO.

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SUPPLEMENT TO  
REPORT NO.

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1. Gasoline prices in Hong Kong vary according to the source of the gasoline, falling roughly into three categories:
  - a. Hong Kong black market gasoline delivered locally with the original seals on the drum commands a somewhat different price from that for gasoline delivered to Shench'uan (114-08, 22-32) from filling stations within Hong Kong territory, without seals on the drum caps. The official Hong Kong price is about US \$20 per drum, calculated at US \$.25 plus a tax of HK \$.66 per gallon. In November 1950 the black market price in Hong Kong was US \$40 to US \$42 per drum; in April 1951 the price had risen to US \$52 to US \$54.<sup>1</sup>
  - b. Gasoline delivered in Macao is generally sold by a central group made up of Macao agents of the three big oil companies, Standard-Vacuum, Caltex and Shell.<sup>2</sup> These companies get their supplies from Hong Kong under government-approved licenses for 2,000 drums each month, the licenses being approved about the 20th of each month. Some of the gasoline sold in Macao is smuggled out of Huk territory in the Philippines. Black market prices for gasoline in Macao were US \$48 to US 50 per drum in November 1950, US \$80 in February and March, and US \$65 in April 1951.
  - c. Indent orders on cargo afloat or already off-loaded at a foreign neutral port were sold in November 1950 at US \$33 per drum, and in April 1951 at US \$46 per drum.
2. In April 1951 specific sources of gasoline were as follows:
  - a. Cargoes already afloat, generally in bulk. It was estimated that the quantity available was about 100,000 drums.
  - b. Cargoes off-loaded in transit, such as the 10,000 drums of gasoline belonging to the Thailand Ministry of National Defense,<sup>3</sup> which is able to sell 5,000 to 10,000 drums a month from the 50,000 they receive from the United States, as well as lubricating oils to the value of US \$400,000 each month.

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- c. Cargoes smuggled out of the Philippines.
  - d. Stocks from agents of the big oil companies in neighboring areas, such as Macao. In Burma the oil companies do not permit export, but private merchants who buy from these companies can export the oil.
  - e. Stocks on hand in production centers in Borneo and Java, estimated at 300,000 drums.<sup>4</sup>
  - f. Transshipments from the United States through South American countries.<sup>5</sup>
  - g. Odd lots from European countries.
  - h. Unimac's negotiations for 200,000 drums.<sup>6</sup>
  - i. An American supplier, possibly involving ECA funds, who ships the gasoline through Taiwan indented for the Nationalist Government.<sup>7</sup>
  - j. The National Production Administration of the United States, which allegedly is willing to barter gasoline for bristles.<sup>8</sup>
3. Gasoline sales are usually financed by a full letter of credit through Switzerland or a bank guarantee against inspection upon arrival in Macao. Most banks involved are Portuguese, French, Dutch and Belgian. The policy of the Chinese Communist government is to have the shipments delivered to Chinese ports if possible, and they are willing to pay substantially more to cover the added risk. The difference in price for gasoline delivered in Macao and gasoline delivered in China is from 25 to 50 percent.
4. In China, the usual quality and standard gasoline is reserved for government and army use. The poorer grades from Yumen (97-13, 40-15) are for public use. The most urgent need on the mainland is for empty drums. Chinese Communist representatives in Hong Kong have been trying to buy 3/32-inch steel sheets and to build factories capable of producing 2,000 drums in an 8-hour period. They have contacted the Yu Tung Tai Company<sup>9</sup> regarding the design and cost of such a factory; George CH'EN, representative of the Northwest China Military and Administrative Committee, is handling the negotiations.
5. Those active in the gasoline trade, or who are attempting to get into the trade, are as follows:
- a. Smugglers from Hong Kong New Territories to Shench'uan, Kwangtung, who average from 1,000 to 1,500 drums per month.
  - b. Agents of the three big oil companies in Macao; these are active.
  - c. A. F. Bailey, Columbia Export Company, National City Bank Building. Since Bailey has backed out of the gasoline deals in which he has been involved and canceled his contracts, the Chinese Communists are trying to revenge themselves by making contact with him, offering a contract, and then canceling it at the last moment so that he will suffer a great financial loss.<sup>10</sup>
  - d. Lobin (?) and Johann WONG, Unimac, Dina House, Buddell Street, Hong Kong.
  - e. Henry TUNG, 420 Union Building, Pedder Street, Seven Seas Corporation.<sup>11</sup>
1.  Comment. These figures are higher than those reported in  which conform more closely to those for indent gasoline.

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- 25X1A 2. See [ ]
- 25X1A 3. [ ] Comment. As of May 1951 the sale of the first 10,000 drums had not been completed; see [ ] 25X1A
- 25X1A 4. [ ] Comment. [ ] reported the arrival in 25X1A  
Macao of a shipment of gasoline from Borneo in March 1951.
- 25X1A 5. [ ] Comment. [ ] reported transactions of this type,  
25X1A dated July 1950.
- 25X1A 6. [ ] Comment. In September 1950 Unimac was trying to negotiate a  
25X1A contract for 200,000 drums of gasoline from a South American source;  
see [ ]
- 25X1A 7. [ ] Comment. LI Ching-wu of the Sunrise Development Company said  
25X1A that he was in a position to obtain gasoline from this source; see  
[ ]
- 25X1A 8. [ ] Comment. [ ] has previously reported that an alleged  
25X1A official of the National Production Administration was working with  
the Sunrise Development Company.
- 25X1A 9. See [ ]
- 25X1A 10. [ ] Comment. [ ] reported Bailey as representing the  
25X1A seller in a gasoline transaction in September 1950; a later report  
[ ] stated that Bailey had canceled all his contracts in  
October 1950.
- 25X1A 11. [ ] Comment. For dealing of the Seven Seas Corporation, which has  
25X1A been reported as represented by A. F. Bailey, see [ ] 25X1A  
25X1A [ ] Henry TUNG has in the past been connected with gasoline  
transactions involving the Cathay Pacific Company, which was mentioned  
in [ ]

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